

8 Exhibit 11 through 15 but something along those lines; is
9 that your best recollection?

10 A. That's correct.

11 Q. The other significant element, I think, that you
12 identified was the staffing as a driver of budget
13 estimates?

14 A. Well, the main driver -- in terms of estimates,
15 you have the volumes, and then that was translated by
16 Lesley Wood, Ann Long and Jerry Sinn, in terms of
17 assumptions and order activity, and then their ability to
18 deal with level of orders, and that drove the staffing
19 requirement and that drove the resource requirement.

20 Q. Okay. So really the volume forecast, once that
21 was established, that would then dictate the staffing
22 requirement based on -- am I correct, given what you just
23 testified to?

24 A. That would be one important element of the
25 staffing requirements. Again, the other piece being
0049
1 the -- call it the production side, the capacity side.

2 Q. What do you mean by that?

3 A. Well, if you are going -- to just use a simple
4 example, if I can -- if you have 10 bottles or 10 widgets
5 coming in, it depends on how quickly you can process those
6 widgets, so if I can process it at X rate, that will drive
7 Y expense; if it's something different, then it would be
8 something different on the expense side.

9 Q. So the analysis would require that there be some
10 productivity measures used so that, for example, if the

11 assumption was that the average LISC employee can process
12 10 orders a day, and you -- and a forecast was established
13 that you could calculate how many LISC employees you would
14 need, now if you could double that productivity and, say,
15 determine that they could process 20 orders a day, that
16 would reduce the staffing requirements by half; is that
17 fair?

18 A. It would just -- again, let me put it in my own
19 words, and that is --

20 Q. Sure.

21 A. If there was a change in terms of the
22 assumptions around, say, throughput or productivity, it
23 would have a bearing on resource levels, whether it would
24 be a one-to-two relationship. It depends on a lot of
25 different factors.

0050

1 Q. So what else within your group was examined
2 besides -- so you looked at the volume forecast or the
3 resale access line forecast, let's call it that, you also
4 looked at the -- was it the productivity measure, the
5 estimate for how much time was going to be required to
6 perform the various functions at the LISC?

7 A. That's correct.

8 Q. And did anyone in your group adjust that
9 productivity measure from what was recommended by the
10 people who actually developed the estimate?

11 A. Not to my recollection, no.

12 Q. So your group received from Laura Schwartz the

13 resale access line forecast and then received from the
14 team that developed the productivity measure that element
15 of the calculation; is that right?

16 A. They worked -- I would say not so much Laura but
17 I would say that the folks within Jerry Sinn's
18 organization and our team worked closely, so rather than
19 having just a direct hands-off, it was more of a
20 collaborative effort, I would say. I mean, we were there
21 to support Jerry's team.

22 Q. To your knowledge, did anyone within your group
23 cause there to be changes made in either the forecast as
24 to resale access lines and the productivity element that
25 would go into calculating the staffing requirement?

0051

1 A. No, not -- I mean, they were involved in the
2 process and if a determination -- once this was produced,
3 they were involved in that process.

4 Q. So then to develop a budget estimate, what else
5 would people in your group, what other information would
6 they need to know?

7 A. The other information that they would need to
8 know is just, you know, what the salary rate would be,
9 things like that.

10 Q. Where is that information obtained?

11 A. In my group.

12 Q. And is that because you have access to
13 information that tells you what service representative who
14 was hired to perform this function will be compensated?

15 A. That's correct.

16 Q. The first budget estimate that you were involved
17 in developing for the resale business, was that some kind
18 of a document that was produced?

19 A. To the best of my recollection, yes.

20 Q. And do you know what was done with that
21 document?

22 A. Maybe you can -- I am not sure.

23 Q. Did you distribute it to anyone within Pacific
24 Bell or did you have someone distribute it to others
25 within Pacific Bell?

0052

1 A. The -- again, the distribution would go to
2 Jerry's team, and I don't believe that there was any other
3 purpose to distribute that information to anyone else, I
4 mean, the detailed information.

5 Q. Would you forward that on to Liz Fetter?

6 A. No.

7 Q. So she didn't have a need to know what the
8 budget estimate --

9 A. Well, you --

10 Q. Let me finish.

11 A. Sorry.

12 Q. -- was for the resale business that you were
13 involved in preparing?

14 MR. KOLTO-WININGER: Objection. Lacks
15 foundation; calls for speculation. But go ahead and give
16 your knowledge.

17 THE WITNESS: I'm sorry, could you repeat the

18 question?

19 MR. McDONALD: Can you read the question back.

20 (Record read.)

21 THE WITNESS: That's not correct. She had a
22 requirement to know what the budget impact would be.

23 MR. McDONALD: Q. And how did you convey that
24 to her?

25 A. I conveyed that to her in summary packages that
0053
1 we put together for the operations of the unit.

2 Q. When you say the unit, which unit are you
3 referring to?

4 A. I'm sorry, industry markets group.

5 Q. So you are distinguishing the more detailed
6 workup to develop the budget estimate for the resale
7 business versus the entire industry markets group budget?

8 A. That's correct.

9 Q. And so you provided to Ms. Fetter the industry
10 markets group budget that included estimates for the
11 resale business?

12 A. That's correct.

13 Q. And did you do that throughout 1996 as the
14 resale budget estimates were revised?

15 A. Yes.

16 Q. Did those industry markets group budgets that
17 you provided to Ms. Fetter simply take the end result, the
18 output of the various analyses that were done over time
19 with the resale business budget estimate?

20 A. Yes, I mean --

21 Q. How would you characterize it?

22 A. Well, you know, at different points, we prepared

23 different things for her attention and generally, my

24 objective is to make it as summary as possible, so that I

25 can impart the information to her quickly. Because I know
0054

1 that that's just the best level of information, rather

2 than, you know, for each individual element to have all

3 the underlying drivers and everything else. But, you

4 know, we varied from that periodically, depending on what

5 the need and the requirement was. So in certain cases,

6 for different things, we would go to a little bit more

7 detail, depending on what her need was.

8 Q. Did she ever ask for more detail about the

9 resale budget estimates?

10 A. Not to me directly.

11 Q. Do you know if she asked others?

12 A. I'd be speculating.

13 Q. If you don't know --

14 A. I don't know. I don't know.

15 Q. And when you submitted these revised budget

16 estimates for the resale business to Ms. Fetter, were they

17 always incorporated within a total industry markets group

18 budget?

19 A. They were incorporated in the industry markets

20 group expense outlook, and maybe --

21 Q. Why don't you explain what that is.

22 A. Okay. What we are trying to do is, say, 1996,

23 this is the amount of money that we believe we will spend

24 for this organization, and it included an estimate for the

25 resale operation.

0055

1 Q. Now, did that include actual expenditures to

2 date and actual expenditures for the remainder of the

3 year?

4 A. Yes.

5 Q. So with each revision you made, you were further

6 informed by the actual expenditures that had been made for

7 the resale business up to the time of that revision?

8 A. Yes.

9 Q. Now, when you submitted these revised

10 estimates -- when you submitted the -- I guess it's a

11 reviewed industry markets budget to Ms. Fetter, that

12 included these revised resale estimates?

13 A. Right.

14 Q. Were there other elements outside of resale that

15 were also adjusted from a prior version of the industry

16 markets budget?

17 A. Yes.

18 Q. So this is sort of a living document that shows

19 how the industry markets group budget is developing over

20 time?

21 A. Right, the actuals.

22 Q. And with what frequency would you provide that

23 to Ms. Fetter? Is it done on a monthly basis?

24 A. Towards the tail-end of the year, I believe that

25 we had a requirement to do it monthly.

24 A. Towards the tail-end of the year, I believe that

25 we had a requirement to do it monthly.

0056

1 Q. And early on?

2 A. Early on, we didn't have that -- we didn't have

3 much of a requirement to do an end-of-year estimate. It

4 was too premature.

5 Q. Let me see if I understand. So in late '95, you

6 did an original budget for the entire industry markets

7 group for 1996?

8 A. For those areas that we had budget

9 responsibility for.

10 Q. And I think your testimony was that the resale

11 operation was outside your budget responsibility at that

12 time?

13 A. Yes.

14 Q. And then during 1996, at various times you

15 provided revisions to that budget to Ms. Fetter; is that

16 right?

17 A. That's correct.

18 Q. And at some point, industry markets group became

19 responsible for the resale business and the resale budget

20 estimates were included in those industry market budgets?

21 A. Let me -- the Sinn organization was always

22 responsible for the function from a budgetary management

23 perspective. That's the only thing -- that's what I would

24 differentiate in terms of what changed. So in mid-year,

25 when it went from so-called, an implementation of kind of

0057

1 a project, to an operation, we took over the

2 responsibility for managing -- for understanding and
3 managing and estimating the resource requirements for
4 resale.

5 Q. But going back to the original budget that was
6 prepared for 1996, that was prepared at the end of 1995,
7 even though you did not have responsibility for the resale
8 business, was the budget estimate included in the industry
9 markets group budget?

10 A. No.

11 Q. And to your knowledge, are these various
12 revisions to the industry markets group budget maintained
13 within Pacific Bell?

14 A. Yes.

15 Q. Does your group maintain them?

16 A. Yes.

17 Q. And does that -- as you revise them over time,
18 does it show -- do you do a comparison of budgeted amount
19 versus actual today to show if there's over or below
20 budget in any particular category?

21 A. In this case, our main focus was to try to
22 true-up the spend rate for the group, and then based on
23 that, revise the estimate, you know, in either direction.
24 Because basically, the focus, you know, the focus of the
25 operation of Jerry Sinn's group was to do whatever was
0058

1 required to -- you know, whatever they thought was
2 required. And so, for example, if they needed to incur
3 overtime, they needed to borrow people, they just did

4 that.

5 And so after the fact, we got the actuals and
6 we -- okay, so we would ask, we are going to continue to
7 do that and then we would create a new estimate. So there
8 was always a requirement to true-up the estimates because
9 it was a very dynamic situation, and they were trying to
10 be as responsive as possible on the day-to-day operations
11 side.

12 Q. Now, as each budget revisions were done, the
13 budget estimates for the resale business decreased; is
14 that right?

15 A. Since there was a series of them, I can't
16 recollect specifically if I compared one by one by one by
17 one to the end amount we incurred, if that would be an
18 accurate statement at this point.

19 Q. So you think, at some point, it may be possible
20 that the budget estimate for the resale business may have
21 increased later in '96 than as compared to an earlier
22 budget estimate?

23 A. You know, I prefer not to -- again, as I
24 mentioned before, as you get closer to the end of the
25 year, you have a better sense for how much you are going
0059
1 to spend, and so the only thing that I -- I am not sure
2 about is towards the last few estimates, how close they
3 were and whether they were above or below.

4 But if I was to look at the, you know, the
5 initial estimates that were made in mid-year, it's pretty
6 clear that the spend rate was lower than the actual. I

7 mean, the estimate that was made and the midpoint of the
8 year, I would say, even through the third quarter, and
9 then the actual amount incurred was a downward trend.

10 Q. So that the original estimate, in part because
11 it was based on these forecasts that had volumes much
12 greater than were actually realized, had a budgeted amount
13 that was -- strike that.

14 Do you have any recollection of actual
15 expenditures for the resale business exceeding the
16 budgeted estimate for the resale business in 1996?

17 A. I am not -- you know, I don't recall. Again,
18 and specifically the tail-end of the year -- and the
19 reason I am trying to distinguish is because at this
20 tail-end of the year, we were incurring -- we were
21 incurring larger amounts of overtime, and we were
22 borrowing people in excess of -- some of the earlier
23 estimates were to be responsive to the requirements, and
24 it just -- I don't -- in terms of recollection, I don't

25 believe that is the case, but I could be wrong. Again,
0060

1 the tail-end of the estimates given, that we were so close
2 at the end of the year -- there was a lot of activity at
3 the end of the year.

4 Q. Was the last budget estimate for the resale
5 business the lowest estimate for 1996?

6 A. I believe so. Again, if I can clarify another
7 point, and that is, it's a cumulative impact, so all the
8 under -- because of the volumes, things kind of

9 accumulated through the end of the year. So that's why,
10 if you take a midpoint estimate, all the money that was
11 not spent through, you know, the next quarter, kind of
12 accumulates. And so even though it could be in a
13 particular month that the spend rate was higher than your
14 expectation was, the cum's could still be lower than this
15 estimate that happened at the beginning of the year.

16 Q. When you were revising the budget estimates
17 mid-year and -- I think you testified that you included
18 actual expenditures to date. So just to make up some
19 numbers, the original budget had been \$50 million, and you
20 get through the first six months and you have only spent
21 \$1 million, would you carry forward -- assume that you
22 were going to -- in your original budget, you thought it
23 was going to be constant spending throughout the year, you
24 would carry forward -- \$24 million having been spent, or
25 \$25 million having been spent the first half of the year,
0061

1 and project forward what you anticipate spending for the
2 last half of the year, right?

3 A. Right, that's what I was trying to get at.

4 Q. So what you would say is, we have spent one
5 million, how much more are we going to spend for the
6 remainder of the year?

7 A. That's correct.

8 Q. When you got to the last estimate, presumably
9 you were working from the actual expenditures through
10 November of 1996; is that right?

11 A. Through October, so if you create an estimate in

12 November, it's based on October actuals.

13 Q. So then that last estimate was essentially an
14 attempt to estimate how much would be spent during
15 November and December 1996; is that right?

16 A. The estimate part, that's correct.

17 Q. And do you have a recollection if the actuals --
18 actual expenditures in November and December 1996 were
19 greater or lesser than that estimate?

20 A. I'd be -- no.

21 Q. We can determine that by looking at the various
22 budget estimates as well as the actual analyses that
23 Mr. Hough performed, right?

24 A. I'm sorry?

25 Q. We could determine the answer to that question
0062
1 by comparing the budget estimates to the actual

2 expenditures that Mr. Hough prepared?

3 A. That's correct.

4 Q. And you think it's possible that the
5 expenditures exceeded the estimates at any time during the
6 year?

7 A. Do I think it's possible?

8 MR. KOLTO-WININGER: I will object that it calls
9 for speculation. But go ahead and answer.

10 THE WITNESS: I don't know. Again, just to try
11 to emphasize the point that we -- you know, our main, you
12 know, the reason that I am doing that is -- the main
13 objective is that by -- we're just trying to keep up in

14 terms of the estimate, because it wasn't that we were
15 doing budget to actuals, kind of force comparison
16 backwards, you know, so -- and it's been now a series of
17 months since I had to review the numbers.

18 MR. McDONALD: Q. Thus far, we've talked only
19 about calendar year 1996. For 1997, has the same process
20 that you described, involving the budget estimates, been
21 used?

22 A. I'm sorry?

23 Q. For 1997 has the same budget estimate process
24 that you have described that was used for 1996, has that
25 been used for 1997?

0063

1 A. Basically. I mean, basically.

2 Q. Can you describe what the difference is?

3 A. For 1997, we did establish a budget based on the
4 assumptions of volume resource requirements, current to
5 the forecasts that were produced at the end of 1996, and
6 that was different, so we did establish a budget. The
7 things -- the characteristics that are the same is that,
8 given some of the -- given some of the latest current
9 information, we created new estimates based on more
10 precise requirements that are necessary, and so we have,
11 you know, we have new estimates for how much money we are
12 going to spend for 1997.

13 Q. And when you say a budget has been set and
14 that's different than using these budget estimates from
15 '96; is that right?

16 A. Well, the difference is that in 1996 we did

17 establish a -- we did have a budget. We didn't have a
18 budget, basically, we had estimates in 1997. We
19 established the budget because it was operational, and we
20 had a requirement to plan for 1997.

21 Q. When you establish a budget, does that mean that
22 the goal of the industry markets group is then to meet
23 that budget in terms of not exceeding the costs that are
24 included in the budget?

25 A. Not in this case, no.

0064

1 Q. And who determines that?

2 A. It was, you know, at least by -- at least by my
3 boss.

4 Q. And that's Liz Fetter?

5 A. Yes, but just to be -- it's been pretty clear
6 that resource requirements is not a limitation to ensuring
7 that the operational people have the necessary resources
8 to do what they need to do.

9 Q. When was the 1997 budget established?

10 A. It was established in the fourth quarter towards
11 the tail-end of the fourth quarter.

12 Q. Of 1996?

13 A. That's correct.

14 Q. And what was your involvement in setting the
15 budget for the resale operation?

16 A. What our -- our team was involved in a similar
17 process where there was the volume forecast working
18 collaboratively with Jerry Sinn's team and any other --

19 mainly, I think Jerry Sinn's team coming up with

20 understanding what the underlying assumptions were,

21 creating the estimates, including them in the plan.

22 Q. The volume forecast information, that came from

23 Laura Schwartz?

24 A. Yes.

25 Q. And when you established the 1997 budget, was
0065

1 that using the forecasts that's -- a portion of which I

2 think is marked Exhibit 15, particularly the first three

3 months, January, February, March of 1997?

4 A. I believe so.

5 Q. Now, do you know if those forecasts are intended

6 to reflect Pacific's ability to process resale orders?

7 MR. KOLTO-WININGER: Objection. Vague; calls

8 for speculation; lacks foundation. But go ahead and

9 answer.

10 THE WITNESS: The forecast, you know, the

11 forecast, I think reflects a series of elements in there.

12 Specifically, how Laura integrated our ability to process

13 orders, I am not exactly sure. I know that, as a

14 reflection of the resource plan that we put in place, we

15 were, you know, we were driving to the point that we would

16 have -- we would spend the necessary money to be able to

17 accommodate the volume forecasts that Laura put together.

18 MR. McDONALD: Q. Are you aware that the

19 LISC -- the processing of orders in the LISC currently

20 experiences a backlog?

21 A. I am familiar with there has been backlogs for a

22 series of PON's.

23 Q. Do I understand that to mean that the volume of
24 orders that are submitted are -- exceed Pacific's ability
25 to process those orders timely?

0066

1 A. I would -- if there's a backlog of orders, that
2 would mean that we are not -- that we are not processing
3 the orders, you know -- I mean, they are not processing
4 the orders, so that there is no backlog, so they are not
5 being processed -- you know.

6 Q. So you'd agree that that means that orders are
7 coming in at a rate that exceeds Pacific's ability to
8 timely process them?

9 A. Yes.

10 Q. And in setting a budget based on a forecast, is
11 the forecast driven by Pacific's ability to process orders
12 or by the expected volume of orders to be received from
13 CLC's?

14 MR. KOLTO-WININGER: I will object as calling
15 for speculation. But go ahead and give your best answer.

16 THE WITNESS: Okay. The forecast -- the
17 resource forecast, let's talk about the resource forecast.
18 The resource forecast has an element in there of capacity,
19 because again, working with the operational teams, they
20 had estimates about, you know, how many orders that they
21 were going to process and what the capabilities were and,
22 you know, what the flow-through capabilities would be.
23 And that was translated into resource requirements based

24 on the best estimates at that period of time. So at least

25 on the resource side, there has to be underlying
0067

1 assumptions about ability to deal with so many orders at a
2 certain point in time.

3 MR. McDONALD: Q. So when you are talking about
4 a resource forecast, you are talking about projections as
5 to the number of LISC employees that will be needed?

6 A. Yes.

7 Q. Now, how about on the order forecast, or I guess
8 the way this is characterized it says, resale access line
9 forecast?

10 MR. KOLTO-WININGER: I will make my same
11 objection, but go ahead and tell what you know.

12 THE WITNESS: I would -- I would guess that it
13 would be an element because the ramp in which we were
14 taking orders had an implication on what the volume
15 forecast was. And so the ramp in which we are taking
16 orders is affected by your historical capacity limitations
17 and the speed in which we are getting order activity from
18 our customers, and so that has to have an implication in
19 terms of either indirect or direct.

20 Now, I mentioned that I had looked at -- I am
21 trying to remember what Laura said, but there are pieces
22 of the volume forecasts that were driven by expectations,
23 in terms of business losses and consumer losses. And so,
24 as you, you know, as you look at all those factors, I

25 believe they came to a general conclusion about the
0068

1 forecast that implied many of these factors may have not

2 been numerically derived in that way, if you understand
3 what I am saying.

4 MR. McDONALD: Q. I think so. The one thing
5 that struck me, your answer started with I guess. And
6 what I'd like to find out is, because you, or people in
7 your group use the forecasts, do you have an understanding
8 of what went into these four forecasts that we are talking
9 about, the volume forecasts, as to whether there is that
10 limitation on Pacific Bell's capacity that controls what
11 that forecast would be?

12 A. I don't know, specifically, how that individual
13 element affected the monthly forecast associated with
14 these volume estimates in front of us. And the reason
15 being is because I felt that the volume forecasts that
16 were being created by Laura Schwartz were, based on the
17 information that she had and we had, were reasonable
18 estimates of activity.

19 And so I didn't have a -- I didn't have a strong
20 personal desire to get in there and say, what was your
21 assumption about this, and what was your assumption about
22 that, and what was your assumption about this. Given the,
23 you know, lack of history, I mean, there was very little
24 activity through most of 1996, and the point of view about
25 how much activity there would be varied, depending on
0069

1 where you sat in the business.

2 Q. Besides what you have already testified to, did
3 you or anyone in your group make other uses of the

4 forecasts, of resale access line forecasts, those that
5 have been marked Exhibits 11 through 15?

6 MR. KOLTO-WININGER: Objection. Calls for
7 speculation as phrased. But go ahead.

8 THE WITNESS: The volume forecast is also used
9 to determine revenue numbers in terms of how much revenue
10 would be generated by these products.

11 MR. McDONALD: Q. So in terms of setting -- is
12 that part of the budget process as well?

13 A. Yes.

14 Q. So what elements do you determine -- when you do
15 a budget, you have a revenue element?

16 A. Yes.

17 Q. And you have an expenditure or cost expense?

18 A. Right, expense. And there may be some capital
19 requirements as well, for computers and different things
20 that people need as you bring them in.

21 Q. How were the forecasts used in 1996 or 1997 on
22 the revenue side?

23 A. They were applied to derive revenue estimates
24 based on the pricing we had at that particular point in
25 time, given the fact that that also changed as things
0070

1 changed in terms of on the regulatory side.

2 Q. Now, with each of the budget estimate revisions
3 that you've earlier testified that you forwarded to
4 Ms. Fetter that show changes in the resale expenditures,
5 did you also have, accompanying that, revisions in the
6 revenues associated with the resale business?

7 A. Sometimes but not always.

8 Q. Who in your group is responsible for the revenue
9 analysis?

10 A. Robert Hough.

11 Q. You had ultimate supervisory responsibility over
12 his work?

13 A. That's correct.

14 Q. Was the analysis that was done on the revenue
15 side similar to what was done on the expenditure side, so
16 that, say, at mid-year, you looked back to see what were
17 the actuals and project forward based upon your then
18 current best estimate?

19 A. It was -- the forecast drove the majority of the
20 revenue outlooks, so as we -- generally, I believe, almost
21 one-to-one, if there was a new forecast, then Robert went
22 through and created a new revenue outlook. There may have
23 been other points that we needed to adjust the revenue
24 outlook.

25 If there was another element of change, like,
0071

1 you know, it turns out that the actuals were turning out a
2 little bit different, so maybe the pricing or number of
3 minutes was a little bit different for a product expense,
4 so we would do an update there as well. But mainly, it
5 was the volume forecast that drove the revenue outlook.

6 Q. Is it true that throughout 1996, as these -- the
7 budget was revised, which was provided to Ms. Fetter, it
8 showed reducing revenues associated with the resale

9 business?

10 A. That's correct.

11 Q. And that was because it was tied to the forecast
12 volumes?

13 A. That's correct.

14 Q. Do you know what the relationship was? Was
15 there a one-to-one relationship in terms of, if the
16 forecasted volumes decreased by half, that the revenue
17 would be then predicted to decrease by half?

18 A. No, I don't believe that's correct.

19 Q. Did you plan on the mix of business that would
20 be decreased?

21 A. That's correct.

22 Q. And so if we were to obtain copies of these
23 revised budgets throughout 1996, it would provide us both
24 on the expenditure side, the revisions, as well as on the
25 revenue side?

0072

1 A. In most cases.

2 Q. Were there instances where they were done
3 separately?

4 A. Yes, sometimes we had a requirement to talk
5 about revenue, sometimes we had a requirement to talk
6 about expense budgets alone, just depending on what the
7 question was. And for most cases, what we truly tried to
8 do in both outlooks is, we always tried to isolate the
9 resale piece. Again, because what we were trying to do is
10 just try to understand what the outcome would be as
11 compared to evaluating against our budget expectation.

12 MR. KOLTO-WININGER: I am going to need to take
13 a short break whenever you get to a point here.

14 MR. McDONALD: I am amenable to doing that.

15 MR. KOLTO-WININGER: Okay.

16 (Recess taken.)

17 MR. McDONALD: Q. To your knowledge, within
18 Pacific Bell, do you know how else the forecasts that we
19 have talked about, the volume forecasts, are used?

20 A. Yes. The volume forecasts are also used in a
21 capital budgeting program by our network services
22 organization.

23 Q. Do you know what they do with them, with these
24 forecasts?

25 A. They use these forecasts, as well as forecasts
0073
1 they get for other products, to develop what the capital
2 requirements are for our network business.

3 Q. Now, I think earlier you said one of the things
4 that you do is you also do capital budgeting for the
5 industry markets group?

6 A. For industry markets group.

7 Q. Do these forecasts come into play in your work
8 in doing the capital budgeting?

9 A. To a small degree. If we -- for example, coming
10 back to the staffing requirements, if there are computer
11 and other related requirements or real estate requirements
12 that are capitalized, we have to plan for that, so in that
13 way, kind of as a secondary outcome but not directly.

14 Q. And I think one of the other elements that you
15 talked about as being under your responsibility was
16 setting force numbers; is that right?

17 A. That's right.

18 Q. Do you have the ultimate responsibility for
19 determining the force that would be put in place within
20 industry markets group?

21 A. Let's see if I can clarify, let me --

22 Q. Why don't you tell me. Why don't you tell me.

23 A. What I think you asked me -- we prepare a
24 resource plan as a companion piece: Force levels, force
25 budget; see, we do that. The reason that I was trying to
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1 distinguish is that if a decision is made by, usually it
2 would be Liz Fetter because I report to her, but it could
3 be someone else above her that says, don't be concerned
4 about the force constraint, then we -- which is the case,
5 we would adjust our force expectations.

6 So I don't have the responsibility to say, you
7 know, we have -- you know, Jerry or John, we have a
8 hundred people, that's all you get. I don't have that
9 ultimate responsibility, and most of the force planning
10 that is done is done by the operational units. And so
11 what we do is that we take that input, we put together the
12 plan, and then kind of, as a team working with the
13 operational, Jerry Sinn, we sit down and we conclude this
14 is the right force level and we get concurrence by Liz.
15 We get concurrence by -- we get concurrence, and then that
16 becomes the budget.

17 Q. Are you aware of whether, during the 1996
18 calendar year, whether the force levels that were actually
19 put in place at the LISC for resale matched budgeted force
20 levels?

21 A. Yes. Now, if I were again to break out kind of
22 periods in time from my recollection, through the first
23 part of the year and through, I would say pretty much
24 close up to third quarter, I mean, the plan -- you know,
25 we were putting the people in place for the plan and then
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1 the order activity was not coming in.

2 There was a period of time there where we made
3 available service representatives to other organizations,
4 because they had -- they were busy, they had order
5 volumes, they had other problems that they were dealing
6 with.

7 So, again, I don't remember exactly at which
8 point we helped those people out. So from that period of
9 time, the answer would be yes. And then we kept it --
10 because there was no order activity, we basically kept the
11 force level fairly flat until, you know, later in the year
12 when the activity began to pick up. We had pretty much --
13 we were borrowing folks from other organizations. We were
14 putting people on overtime, so that was happening towards
15 the tail-end of 1996.

16 Q. How about into 1997? Do you know how the force
17 levels for the LISC measure, as compared to the budgeted
18 amounts today?